

# **Finance and Sustainability Advisory Committee Meeting Minutes**

**October 24, 2011  
5:00 p.m. - 7:00 p.m.  
UMBC Tech Center  
1450 S. Rolling Road  
Baltimore, MD 21227**

The materials presented in the meeting are listed on the Maryland Health Benefit Exchange webpage: <http://dhmh.maryland.gov/healthreform/exchange/AdvComm/mtg-fin-sustain.html>

## **Members Present**

Nathan Brown (Co-Chair)	Dushanka Kleinman (Co-Chair)
Ben Steffen (Board Liaison)	Matt Celentano
Alvin Helfenbein	Sheila Mackertich
Michael McHale	Miguel McInnis
John O'Donnell	Leni Preston
Stephanie Reid	Mike Robbins*
Randolph Sergent	Jagdeep Singh
Ronald Wineholt	

## **Members Absent**

Russ Causey	Julia Huggins
Tara Ryan	

## **Welcome and Introductions**

The Co-Chairs welcomed the Finance and Sustainability Advisory Committee members and attendees. The Committee approved the October 12, 2011, meeting minutes.

## **Update from Advisory Committees and Board**

Ben Steffen, Exchange Board liaison, discussed a paper developed by the Maryland Health Care Commission that examined health care spending by various payers in the state, such as the privately insured, Maryland's high-risk pool, and others. Mr. Steffen said that this paper may be of interest to Committee members.

Mr. Steffen announced that the advisory committees will continue through 2012. Although formal meetings have not been scheduled, the advisory committees may be consulted with during the legislative session.

## **Presentation on Financing Options**

Patrick Holland (managing director) and James Woolman (senior consultant) from Wakely Consulting Group gave a PowerPoint presentation to the Committee. Their presentation included examples of principles for Exchange financing that the Committee should consider. These principles pertained to topics such as Exchange revenue sources, the financing method, and the

\*Participated in meeting through teleconference.

assessment that may be charged to carriers, hospitals, or other entities. The second part of Wakely's presentation focused on the key considerations that should be kept in mind when choosing Exchange financing methods. These key considerations include stability/predictability of the financing method, the financing method's impact on member and carrier participation, maintaining sustainability at different levels of enrollment, and the effects of using a broad versus a narrow financing source. In the last part of their presentation, Wakely presented the pros and cons of seven potential financing options for the Exchange. These financing options are:

- Option 1 – An assessment on Exchange carriers' Exchange business
- Option 2 – An assessment on all of Exchange carriers' insurance business
- Option 3 – An assessment on all carriers in the non-group and small group markets
- Option 4 – A broad-based assessment on the health care market
- Option 5 – Other broad-based assessments, such as a tax or fee revenue
- Option 6 – Re-purposing existing revenue streams
- Option 7 – A combination of Options 1 through 6

### **Committee and Public Discussion**

During Wakely's presentation, Committee members held discussions on the Exchange principles. They suggested adding to and revising the wording of the principles Wakely presented. The Committee agreed to add principles on these topics: promoting transparency of the financing method to ensure accountability; implementing a statutory cap on assessment fees; and evaluating the impact of the assessment on consumers annually, especially consumers with low incomes. There was also discussion about the principle that stated, "State funds should not be utilized to fund Exchange operations." Some Committee members stated that the Exchange should use state general funds if there was a need and the funds were available. Other Committee members proposed the reverse of this principle—Exchange funds should not be used to fund *state* operations—to prevent Exchange funds from being swept into state general funds. There was also discussion regarding the inclusion of a principle that the Exchange serves as a public good. The argument for this principle was that everyone will ultimately benefit from the services the Exchange provides. Some Committee members said that if this principle was included and the Exchange used a broad-based financing source, then Maryland could not disallow state funds to be used for the Exchange. The Committee decided to include the newly agreed-upon principles and to continue discussion at the next meeting.

Committee members also discussed the pros and cons of the seven financing options presented by Wakely and asked clarifying questions about premium subsidies, medical loss ratio (MLR), and the ability of the Exchange to attract carriers, among other topics. The Committee discussed using sin taxes, such as a tobacco tax, as a revenue source for the Exchange. Advertising and fees for Producers to sell through the Exchange and Navigator training and licensing were also discussed as possible revenue sources. The Committee agreed that the Medicaid program should pay for enrollment and technology services that the Exchange provides for the Medicaid population. The Committee discussed the pros and cons of narrow and broad financing methods but ultimately did not choose a position on this topic.

### **Presentation on Waste, Fraud, and Abuse**

Wakely will give a presentation on waste, fraud, and abuse at the November 2, 2011, Committee meeting.

### **Committee and Public Discussion**

Two members of the public made comments. One individual stated that the Committee should consider the differences between the commercial market and the Medicaid market. She said that if an assessment was placed on Maryland's Medicaid managed care organizations (MCOs), then the state would ultimately pay for that assessment through the rates it pays the MCOs. A second point this individual made was that states would have flexibility with implementing the MLR model developed by the National Association of Insurance Commissioners. Lastly, she said that the costs that the Exchange incurs from Medicaid may be low or nominal compared to the commercial market because many of the services needed for the expanded Medicaid population are already provided by various agencies and other stakeholders.

Another member of the public stated that because many of the uninsured are racial/ethnic minorities, there should not be any barriers that make it more difficult for these individuals to join the Exchange, like fees on new enrollees. Also, this individual expressed his support for a mix of a narrow and broad financing method for two reasons: carriers that participate in the Exchange may have an advantage to getting new customers to buy their product, and the Exchange is insurance for the uninsured, which is a general benefit.

### **Next Steps**

The Committee agreed to send written comments to Ms. Kopelke by Wednesday, October 26, 2011. A draft of the Committee's report will be sent to members before the next meeting for their review.